

2007 SOUTH DAKOTA OIL & GAS ACTIVITY UPDATE
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Oil and Gas exploration and drilling was up somewhat in 2007 from levels in 2006. In 2007, 38 drilling permits were issued, and 49 new wells were drilled, compared to 41 permits and 25 new drills in 2006. Consequently, crude oil totals were higher, 1,668,197 bbls were produced in 2007, compared to 1,394,318 bbls in 2006, an increase of 8.3%. This increase in drills vs. the number of permits issued was probably a result of the difficulty by Operators in obtaining drilling rigs, service rigs to complete the new wells, and problems with pipeline capacities in 2006.

Much of the drilling activity was grass roots horizontal wells and horizontal re-entries of existing vertical wells by Continental Resources and Luff Exploration in the Red River formation in Harding County. But, there was also exciting news in drilling for shallow gas in the state. Spyglass Exploration announced a new shallow gas field discovery, and potential oil shows in the Shannon member of the Pierre formation in Harding County. There were also several Cretaceous (Dakota) gas tests by Fidelity Exploration in Stanley and Hughes counties near Pierre. And, there were several sub-glacial/Cretaceous (Niobrara) tests by BioRock Gas in Spink County south of Aberdeen.

Although much of the activity can be attributed to higher crude oil prices, Governor Rounds has recognized the importance of the oil and gas industry to South Dakota, and has encouraged orderly oil and gas development in his 2010 Initiative. Governor Rounds also instructed the DENR Oil and Gas Section and South Dakota Geological Survey (SDGS) to prepare a work plan, as suggested by industry representatives, to compile and disseminate information via the Internet to aid those interested in the exploration and development of oil and gas resources in the state.

Recent developments include changes to our rules to simplify Underground Injection Control (UIC) requirements (74:10:09:12) and to be able to require less than 100 feet of surface casing be set, to encourage shallow natural gas drilling and development (74:10:03:16).

We are also continuing to provide Internet access to oil and gas well data, as well as updated state and county maps. All of the electric well logs in our files have been scanned, are available on DVD by request, and will be available on the web site soon. And, along with the SDGS, we constructed and published the Stratigraphic Correlation Chart of SD (Oil & Gas Investigation #1), which is currently available in digital and hard copy versions from the SDGS and our office. We are also currently working with the SDGS and professors at the SD School of Mines and Technology on constructing well log correlations and cross sections that span the entire state. They will be made available as SDGS publications and on the Internet soon.

The link to the Oil and Gas Section website is <http://www.state.sd.us/denr/DES/Mining/Oil&Gas/O&Ghome.htm> and the link to the SDGS website is <http://www.sdgs.usd.edu/> .

With the advent of recent statute and rule changes, the development of the work plan, and the large amount of high potential but essentially unexplored regions in the state, Governor Rounds and the DENR believe the time is right for expanding the orderly drilling and development of the oil and gas resources of South Dakota.